



*United States Senate*  
**Committee on Small Business  
and Entrepreneurship**

*Olympia J. Snowe, Chair*

Thursday, December 22, 2005

<http://sbc.senate.gov>

For Immediate Release:

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**SNOWE INTRODUCES BILL TO REFORM AND RENAME A FLAGSHIP SBA LOAN PROGRAM**

*Bill Streamlines Lending To Provide Small Businesses Greater Access To Capital For Job Creation and Retention*

U.S. Senator Olympia J. Snowe (R-Maine), Chair of the Senate Committee on Small Business and Entrepreneurship, today announced that she has introduced the Local Development Business Loan Program Act of 2005 (S. 2162), legislation that renames one of the Small Business Administration's flagship loan programs and streamlines lending to provide small businesses greater access to capital so they can continue to create and retain jobs.

"As Chair of the Senate Committee on Small Business and Entrepreneurship, my goal is to ensure small businesses are afforded the best possible environment to grow, innovate and create jobs," said Senator Snowe. "Small businesses employ more than half of the total private-sector workforce, and are responsible for the creation of more than two-thirds of all new jobs. Clearly, increasing investment in small businesses is crucial to our on-going economic success. This legislation will ensure that our entrepreneurs have access to credit markets so they can continue to drive America's economic growth and job creation."

"The SBA's '504' loan program provides long-term capital, at fixed rates, that allow businesses to obtain new facilities, expand existing facilities, and update their machinery," stated Senator Snowe. "Since calling the program the '504' program was neither clear nor indicative of the loan program's goals, my bill renames it the 'Local Development Business Loan Program Act.'"

Senator Snowe noted that the SBA's financing programs supported over \$20 billion in loans and venture capital for small businesses in FY 2004. In the existing program alone, small businesses obtained 8,357 loans. Through those loans the SBA guaranteed over \$4 billion in financing. The SBA portion of each loan is only 40 percent of the total loan size. This program thus produced approximately \$10 billion in financing for small businesses in 2004, which allowed small businesses to create or retain 140,000 jobs in 2004.

Key Provisions of the bill are:

\* Provides that henceforth the program shall be known as the "Local Development Business Loan Program" instead of the "504 Loan Program."

- \* Allows borrowers the option to include closing costs in their loans (rather than having to pay them up-front).
- \* Raises the program's authorization level to \$8 billion in fiscal year 2007 and to \$8.5 billion in fiscal year 2008.
- \* Provides for reimbursement to Community Development Companies (CDCs) for authorized foreclosure expenses.
- \* Allows borrowers to contribute more equity (down-payments) to their loan if they choose.
- \* Permits a small business to obtain financing in the maximum amount permitted under the 504 program and also to obtain a SBA 7(a) loan in the maximum amount permitted under that program.
- \* Permits a borrower to refinance a limited amount of existing debt into a 504 loan.

“The future of our country is inextricably tied to the future of small business,” said Senator Snowe. “My bill will help ensure that the SBA’s programs continue to provide the products and services essential to small businesses, which will yield a better return on our investment in the form of expanded business ownership and job creation.”

The bill is attached.

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